

O & I TRANSPORT, INC.

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June 23, 2010

Dear Members of the House Commerce Committee:

As the Vice President of O & I Transport and a member of the Transportation Club of Detroit, I am writing to express my support for Senate Bill 1222 (Cassis) and request that the House of Representatives pass it immediately. This bill will help to ensure that transportation jobs remain in our state at a time when we can least afford to lose another Michigan worker.

Senate Bill 1222 provides tax an increase reduction to transportation general contractors who subcontract freight hauling projects. Currently, if a general contractor in the trucking industry subcontracts a project, he is required to pay the gross receipts tax on the entire revenue amount for that project and cannot claim his payment to the subcontractor as a cost. The subcontractor also has to pay tax on the amount he receives from the general contractor, which leads to the double taxation of the same revenue. This is best illustrated with an example: O & I Transport, Inc. receives a \$400 order to transport steel. We hire an independent truck to ship the steel for \$300. The independent trucking company receives \$300 and O & I Transport Inc. will keep the remaining \$100 for itself as income. But, under the MBT, O & I Transport, Inc. has to report the full \$400 as income and cannot report the \$300 as a cost – therefore we are taxed on the full \$400. Additionally, the independent truck owner is also taxed on the \$300 as their income.

For my company, instead of 290% tax increase under the MBT, the passage of SB 1222 will result in a 115% increase which is more manageable. As you can see, I am not seeking to completely eliminate my tax liability, I am simply requesting that the tax increase not put me out of business. Unfortunately, I have already had to take measures including salary reductions and layoffs because of the negative impact the MBT has had on my company. That is why immediate passage of this bill is critical because the next step is to permanently release workers and then to close my doors.

Additionally, it is important to note that this type of taxation problem has been previously recognized and other industries have received the general contractor tax relief that I am requesting. For instance, general contractors in the construction field are exempt from this tax. I think it is also worth mentioning that numerous tax credits, even refundable credits, have been enacted in an effort to foster industries that do not currently exist in this state. O & I Transport has been a tax paying entity in Michigan for 22 years. We want to stay in Michigan and we hope that the legislature will work with us so we can remain in our home state.

Thank you for time and attention to this extremely important matter. As a job provider in Michigan, I want to stay here and passage of SB 1222 will make the difference and help to save my company.

Sincerely,

Michael Schofield
Vice President
O & I Transport, Inc.